

9 May 2022

## TRADING UPDATE

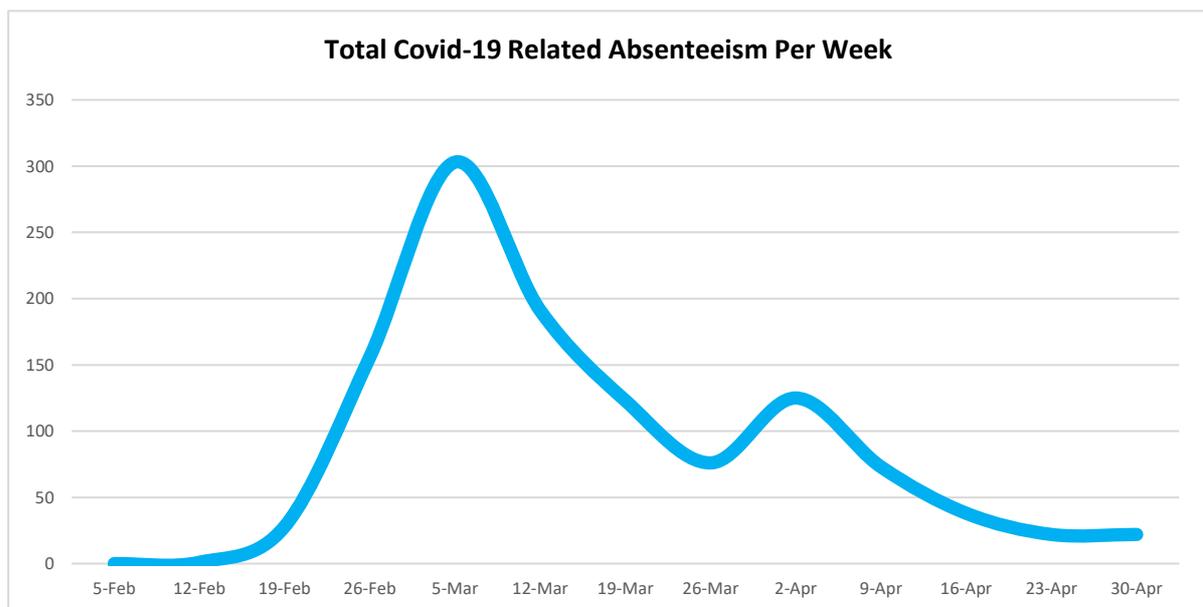
Freightways is providing an update on activity during the period where operations were affected by Omicron (March and April of the current financial year). The update focuses on the impact of the Omicron variant of the Covid-19 pandemic, but also covers the general business environment.

### Impact of Omicron

The spread of the Omicron variant during the months of March and April had an impact on our operations, through lower volumes and higher operating costs.

Over these two months, Express Package volumes were below the previous comparable period by 2%. This reflected both our customers' ability to consign goods due to staff shortages as well as pressure points in our network, especially over a 2-week period in March where we had a large portion of our team affected by Omicron enforced isolation.

The Omicron wave has also had a significant impact on the cost of operations, with staff having to isolate for 7 days (initially 10 days), leading our businesses to hire temporary staff to maintain operational performance. The below graph shows staff and contractor absenteeism from the first week of February through to the end of April 2022:



The number of workers isolating has significantly increased the cost of our operations over these 2 months. Approximately 1,000 of the Freightways team (or 25% of the NZ workforce) contracted the virus and had to isolate on full pay. In addition, Freightways businesses also:

- Implemented a Covid wage premium to reward those working in tougher conditions;
- Increased the use of temporary staff;
- Incurred increased training cost and reduced productivity as less experienced employees were used across our operations.

As of May, the home-isolation impact of Omicron has largely abated and the current infection rate is represented as typically only a handful of cases each day. Express Package service levels today are at the highest levels they have been in the last 2 years across all brands.

We expect that the impact on earnings from Omicron through lower revenue and an increased cost base is approximately \$5-7m for the second half of the year.

We are operating in a higher cost environment with a very tight labour market and rapidly increasing fuel prices. However, we are confident this can be mitigated following the implementation of our annual price adjustment on 1st July and the return of experienced staff to our operations. Contractor turnover has remained low despite the tight labour market, illustrating the benefits of payment for effort.

## **Ends**

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This trading update was authorised by the Freightways Board of Directors.